

Message Text

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ORIGIN ARA-14

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TO AMEMBASSY KINGSTON
AMEMBASSY SAN JOSE
INFO AMEMBASSY PANAMA

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E.O. 11652: N/A

TAGS: EAID, IDB

SUBJECT:IDB REPLENISHMENT NEGOTIATIONS: THE FSO ACCESS
ISSUE

REFS. STATE 173145; STATE 173146; KINGSTON 6147

1. THIS CABLE OFFERS BACKGROUND FOR EMBASSY USE ON THE
ISSUE OF COUNTRY ACCESS TO THE FUND FOR SPECIAL OPERATIONS
(FSO) OF THE INTER-AMERICAN DEVELOPMENT BANK, AN ISSUE
WHICH GREATLY CONCERNS HOST GOVERNMENTS OF ADDRESSEE POSTS.
IF QUERIED BY HOST COUNTRY OFFICIALS ABOUT THE U.S.
POSITION ON FSO ELIGIBILITY, YOU SHOULD SAY THAT WE ARE
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STUDYING THE ISSUE IN LIGHT OF AGREEMENT BY ALL THE MEM-
BERS AT THE JUNE 29-30 MEETING OF THE COMMITTEE OF THE
BOARD OF GOVERNORS AND ITS WORKING GROUP ON FUNCTIONS AND
POLICIES THAT FSO MUST BE CONCENTRATED ON THE LESS DEVEL-
OPED COUNTRIES IN THE REGION, AND IN VIEW OF MEMBERS'
SUGGESTIONS FOR ACHIEVING THAT OBJECTIVE. YOU MAY WISH TO
DRAW ON PRESIDENT CARTER'S LETTER (PARA 3 BELOW) IN ANS-

WERING QUESTIONS ABOUT U.S. POSITION. WE LOOK FORWARD TO DISCUSSING THIS ISSUE MORE FULLY WITH HOST COUNTRY REPRESENTATIVES DURING THE NEXT ROUND OF REPLENISHMENT DISCUSSIONS, TENTATIVELY SCHEDULED IN SEPTEMBER.

2. IN THE ONGOING NEGOTIATIONS AMONG MEMBERS OF THE INTER-AMERICAN DEVELOPMENT BANK ON THE FIFTH REPLENISHMENT OF THE BANK'S RESOURCES, THE U.S. PROPOSED USING A PER CAPITA INCOME STANDARD IN ORDER TO TRY TO ESTABLISH MORE OBJECTIVE FSO ACCESS CRITERIA TO ASSURE THAT CONCESSIONAL LENDING FROM THE FUND FOR SPECIAL OPERATIONS (FSO) WOULD BE CONCENTRATED ON THE LESS DEVELOPED COUNTRIES OF LATIN AMERICA AND THE CARIBBEAN. IT WAS AGREED THAT OTHER CRITERIA MIGHT ALSO BE APPROPRIATE. ON JUNE 30, GENERAL TORRIJOS SENT A LETTER TO PRESIDENT CARTER REQUESTING US SUPPORT FOR CONTINUED FSO ACCESS FOR PANAMA, COSTA RICA AND JAMAICA, STATING THAT THESE SMALL COUNTRIES STILL HAVE SERIOUS PROBLEMS OF POVERTY, AND FACE ECONOMIC GROWTH CONSTRAINTS DUE TO THE SMALL SIZE OF THEIR DOMESTIC AND FOREIGN MARKETS.

3. WE BELIEVE THAT PRESIDENT CARTER'S RESPONSE TO GENERAL TORRIJOS IS SELF-EXPLANATORY. THE FOLLOWING IS THE ENTIRE TEXT OF PRESIDENT CARTER'S RESPONSE:

"DEAR GENERAL TORRIJOS:
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THANK YOU FOR YOUR MESSAGE ABOUT ELIGIBILITY FOR CONCESSIONAL LENDING FROM THE FUND FOR SPECIAL OPERATIONS OF THE INTER-AMERICAN DEVELOPMENT BANK. AS YOU KNOW, I AM CONCERNED WITH THE SOCIAL AND ECONOMIC DEVELOPMENT PROBLEMS OF PANAMA AND OTHER COUNTRIES IN THE HEMISPHERE IN SIMILAR CIRCUMSTANCES.

MY ADMINISTRATION BELIEVES A FORMULA CAN BE NEGOTIATED THAT WILL TAKE ACCOUNT OF SEVERAL IMPORTANT SOCIAL AND ECONOMIC INDICATORS IN DETERMINING ACCESS TO THE FSO. THE BANK HAS DONE A GOOD DEAL OF WORK THAT WILL HELP US TO ARRIVE AT A FORMULA TO THIS END. WHATEVER THE OUTCOME, WE WOULD EXPECT THAT A LARGE MAJORITY OF FSO FUNDS WOULD BE RESERVED FOR THE POOREST COUNTRIES AND THAT ANY CONCESSIONAL FUNDS FOR COUNTRIES OTHER THAN THE POOREST WOULD BE DIRECTED TO PROJECTS THAT CLEARLY ASSIST LOW INCOME GROUPS. I HOPE THAT OUR REPRESENTATIVES IN THE REPLENISHMENT DISCUSSIONS WILL WORK CLOSELY TOGETHER TO SEEK AN EARLY AND FRUITFUL AGREEMENT. I HAVE READ WITH INTEREST YOUR RECENT STATEMENTS ABOUT THE ELECTORAL PROCESS IN PANAMA AND CONSTITUTIONAL REFORM.

YOUR COUNTRY'S CONTINUED PROGRESS TOWARD DEMOCRACY IS
WELCOMED BY PANAMA'S FRIENDS.

THANK YOU AGAIN FOR YOUR HOSPITALITY DURING MY VISIT TO
PANAMA. SINCERELY, JIMMY CARTER" CHRISTOPHER

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